

OCTOBER 20 PAYMENT IS THE FIRST INSTALLMENT FOR FY2005

The first in the 11-payment schedule of school aid payments for FY 2005 is being made on Wednesday, October 20. The payment reflects foundation allowances at the same level as FY 2004 prior to proration for all districts.

Following immediately below are the data, estimates, and assumptions used specifically for the October payment.

Taxable value figures used in the calculation of the Section 20 and Section 22a state per pupil amounts are the initial tax year 2004 figures provided by the county treasurers via the new web based reporting system. **Questions concerning the taxable value figures should first be directed to the appropriate county treasurer.**

The **membership blend** used to calculate the October payment is an **estimate** (see discussion below regarding new blend percentages). For traditional public school districts and intermediate districts, the figure used in place of the September 22, 2004 pupil count (which has not yet been received) is the September 24, 2003 count. For public school academies, a preliminary pupil count is being used which was reported on the form DS-4898. These estimates will be replaced by the actual (unaudited) counts, due to the Center for Education Performance and Information (CEPI) by November 10. Questions concerning **membership** should be directed to Joellen Wonsey in the Office of State Aid & School Finance at (517) 373-3352 or WonseyJ@Michigan.gov

A few **categoricals** have been “rolled over” for the October payment, meaning that the beginning FY 2005 allowance amounts are identical to the amounts awarded in FY 2004. These amounts may be refined and adjusted as the payment year progresses. **“Rolled over” categoricals** include: Court Placed Pupils (24), ISD Center Program FICA & Retirement (51a(8)), Vocational Education (61a(1)), Bilingual (41), and Great Parents-Great Start (32j).

Categoricals with updated allocation amounts include: School Lunch (31d), Michigan School Readiness Program (32d), Special Ed Rules Changes (51a(6)), Special Education (53a), and ISD General Formula (81). As an estimate for **Adult Education** (107), the allowances reflected in October are equal to the lesser of the district’s or consortium’s capped allowance or the amount earned in FY 2004. Questions on the Adult Education payment calculation can be directed to Joellen Wonsey at (517) 373-3352 or WonseyJ@Michigan.gov. Questions about Adult Education program operations should be directed to Diane Duthie in the Adult Education Office at the Department of Labor and Economic Growth at (517) 373-8800 or DuthieD@Michigan.gov.

Prior Year Adjustments in the October payment include (but are not limited to) restoration of FY 2004 deductions in At-Risk (31a) for districts whose FY 2004 annual reports were received by September 30. Most prior year adjustments that result from updated pupil counts and/or taxable value figures will not be made until the November or December payment. Please note that, in general, prior year adjustments are made at 100% when they first appear (rather than in “installments” spread over the payment year).

GENERAL INFORMATION REGARDING FY 2005 SCHOOL AID

The current year **foundation allowance** for FY 2005 is equal to the FY 2004 foundation for all districts. (“Hold harmless” districts continue to have a 20j per pupil amount equal to \$1,038 minus the sum of the increases in the district’s foundation since FY 1999.) The FY 2005 basic foundation allowance is \$6,700. The maximum foundation allowance for a Public School Academy (PSA) is \$7,000.

The **Section 22a Proposal A** state amount per pupil is calculated as the district’s FY 1995 foundation allowance minus the FY 2005 local revenue per pupil. The denominator used for the local revenue is the total state aid membership (both general education and special education pupils). The Section 22a per pupil amount is multiplied by the district’s total FY 2005 blended membership to generate the Section 22a payment amount.

The **Section 51c Special Education Headlee Obligation** payment is equal to the district's FY 2005 special education costs multiplied by .286138 plus the district's FY 2005 special education transportation costs multiplied by .704165. Keep in mind that **prior year cost numbers are used as estimates** until actual cost figures are obtained, at which time adjustments are made.

Continuing the payment mechanism that began in FY 2001, rather than making foundation allowance and special education payments under Sections 20, 20j, and 51a, the amounts calculated under those sections determine the payment amount under Section 22b. After making payments under Sections 22a and 51c, the **Section 22b Discretionary Payment** is paid, which is equal to the sum of the amounts calculated under Sections 20, 20j, 51a(2), 51a(3), and 51a(12) minus the amounts paid in 22a and 51c. The formulas used in the calculations under 20, 20j, 51a(2), 51a(3), and 51a(12) have not changed for FY2004.

The **membership blend** for FY 2005 is **25%** of the February 11, 2004 supplemental count and **75%** of the September 22, 2004 pupil count, with the same exceptions for PSAs in their 1st or 2nd year (50%-50% blend of the two *current year counts*) and for districts with a new grade level(s) (50%-50% current year blend *for pupils in the new grade level(s)*) as we have had in the past. The 25%-75% blend is a change from the 20%-80% blend of the past few years. Language remains in Section 6(4)(y) which allows for a three-year average blend for declining enrollment districts, but only for those with 4.5 or fewer pupils per square mile. This language applies to **both lower and upper peninsula districts**. If a district with 4.5 or fewer pupils per square mile would have a membership blend of less than 1,550 FTEs using the 25%-75% approach, that figure is replaced by the average of the current and two immediately preceding year blends if the average provides a greater number. However, districts receiving funding under **new Section 22d** for payments to small, geographically isolated districts are not eligible for the three-year average membership. **The formula for calculating the three year average blend is a straight average of the 25%-75% FY 2005 blend and the 20%-80% blends from the prior two fiscal years as opposed to using any prior year three-year average blends in the calculation.** Language in Section 6(4)(y) continues which allows a district educating pupils in grades 9 to 12 who reside in a contiguous district that does not operate grades 9 to 12 to request that the Department use the square mileage of both districts in determining the number of pupils per square mile. **NOTE:** Eligibility will be determined automatically as a part of the payment calculation. A listing of the square mile area of all districts is on the MDE web site at www.michigan.gov/documents/squaremiles_11742_7.pdf

The **instructional time requirement** for FY 2005 remains at 1,098 hours. However, as in FY 2004, there is **no requirement to be in session a minimum number of days**. The provision allowing a district to count up to 51 hours of teacher professional development time as pupil instruction continues. The professional development time must be focused on achieving or improving adequate yearly progress, or be used for accreditation purposes, achieving highly qualified teacher status under No Child Left Behind, or maintaining teacher certification. Exceptions to the 1098 hours requirement include:

- < *kindergarten pupils*, who are required to be provided 549 hours;
- < *pupils with study halls*, who are required to be provided 1,188 hours; and
- < *high school pupils with an approved reduced schedule*, who are required to be provided 878.4 hours (823.5 hours for those reduced schedule pupils in a "4-block" program).

Also, up to 3 hours per week of *travel time between instructional sites* can be counted as instructional time for certain pupils; additional travel time may be waived by the Department under certain circumstances. (Joellen Wonsey, (517) 373-3352 or WonseyJ@Michigan.gov)

The payment schedule continues to provide state school aid payments on the 20th of each month from October through August at 1/11th of the annualized amount being paid on each of those dates. When the 20th of the month falls on a non-business day, the payment will be made on the **immediately preceding business day**. The July and August payments must be accrued to the immediately preceding school fiscal year. The FY 2005 payment dates will be on the 20th of each month except for the following dates: Friday, November 19, 2004; Friday, February 18, 2005; Friday, March 18, 2005 and Friday, August 19, 2005. In addition, payments to or on behalf of *Durant* non-plaintiffs will be made on Monday, November 15, 2004, and Friday, May 13, 2005.

Categoricals maintained at their FY 2004 levels include, but are not limited to:

- C At-Risk Pupils (31a), \$310,457,000;
- C Michigan School Readiness Program (32d), \$72.6 million;
- C Court Placed Pupils (24) \$8,000,000;
- C Advanced and Accelerated Pupils (57) \$250,000;
- C Math and Science Centers (99) \$2,500,000;
- C Adult Education (107) \$20,000,000;
- C Bilingual Education (41) \$2,800,000 in state funds;
- C Great Parents-Great Start (32j) \$3,326,000.

Categoricals reduced from their FY 2004 levels include, but are not limited to:

- C ISD General Formula (81) by \$14,000,000 to \$77,702,100;
- C Freedom to Learn (98b) by \$18,300,000 to \$3,700,000 in state funds.

ISDs are to receive 85.2% of what they received in Section 81 funding in FY 2003 in a combination of Section 32j and Section 81 funding. The FY 2005 Section 32j allowances are equal to the FY 2004 Section 32j allowances. Therefore, ISDs will receive 84.7% of their FY 2004 Section 81 allowance as a Section 81 allowance in FY 2005.

New Categorical for FY 2005

- C Small Geographically Isolated Districts (22d) \$750,000

IMPORTANT DATES TO REMEMBER

- C Districts are required to report by **November 1** to the local health department the **immunization status** of all pupils in grades K-12 who enrolled in the district or ISD for the first time between January 1 and September 30, 2004. (Patty Lawless, (517) 373-1122 or LawlessP@Michigan.gov)
- < The **FY 2005 SRSD Records (including State Aid FTE Counts)** for the September 22, 2004 count date are due to ISDs on **October 27** and from the ISDs to CEPI on **November 10**. (Mark Gover (517) 373-2469 or GoverM@Michigan.gov)
- C **November 1** is the deadline for local districts (including PSAs) to file their **FY 2004 financial audit reports** with the ISDs. The **financial and pupil accounting audit reports** are due **November 15** from the ISDs to the Department. Failure to file these reports will result in the withholding of state aid. (Kathy Weller, (517) 335-6858 or WellerK@Michigan.gov)
- C The **FY 2004 Annual Comprehensive Financial Report-FID** is due from local and intermediate districts to CEPI by **November 15**. Failure to file these reports will result in the withholding of state aid. (Glenda Rader, (517) 335-0524, RaderG@Michigan.gov)

GENERAL INFORMATION

- C The new "bid threshold" (the base amount above which competitive bids must be obtained for remodeling and procurement of supplies, materials, and equipment) for FY2005 is **\$18,345**. (Glenda Rader, (517) 335-0524, RaderG@Michigan.gov)
- C The proration factor for **Section 31a - At Risk** funding is \$125.1005528874 per pupil.

*Do you have questions about the information appearing in this **UPDATE**? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: HanrahanD@Michigan.gov.